

Exhibit B

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JAL to Seek Lenders' Aid

Carrier's Financial Condition Has Worsened, Setting Back Restructuring Process

By YOSHIO TAKAHASHI

TOKYO—Less than six months after Japan Airlines Corp. filed for the country's biggest nonfinancial bankruptcy restructuring, with a debt load of \$25 billion, the carrier said its financial condition has worsened, and it plans to ask its lenders for more assistance in talks that kick off Thursday.



Getty Images

Chairman Kazuo Inamori said JAL will ask for fresh loans and debt waivers.

JAL collapsed in January in the first big corporate test for Japan's new government. The Democratic Party of Japan had criticized the former government, the Liberal Democratic Party of Japan, for providing repeated bailouts to the airline in recent years without forcing major changes in the company.

The DPJ played a big role in steering the company toward bankruptcy protection, and portrayed the move as a push for greater transparency and less spending on behalf of big business.

JAL's negative net worth—liabilities exceeding its assets—has ballooned to 950 billion yen (\$10.74 billion), or 80 billion yen more than the Enterprise Turnaround Initiative Corp., a government-backed turnaround body, estimated in January when the airline filed for bankruptcy protection.

JAL said Wednesday it expected larger write-downs from retiring aircraft and scrapping unprofitable routes. JAL aims to accelerate its restructuring, instead of completing it over three years, as it previously stated.

From Thursday, it will begin yet another round of painful talks with its main lenders to ask for about 100 billion yen—on top of 730 billion yen of debt its lenders were forced to forgive at the start of the year.

The additional aid could take the form of a debt-to-equity swap, additional loans or a debt waiver, according to a person familiar with the matter.

JAL declined to comment on what form the additional aid could take.

"We will discuss how much financial aid or debt

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waiver could be provided. ...It's not going to be easy," said Akitoshi Nakamura, chief operating officer at ETIC, at a news conference Wednesday.

ETIC declined to comment further on the aid.

The need for additional financial help is the latest setback in JAL's restructuring process, and its main lenders are frustrated that the company is coming back for more handouts, given the amount of debt forgiveness so far.

"The negotiation with JAL will be tough unless the airline will make a drastic change in structure," said an official from one of JAL's lenders.

The carrier's biggest lender is the Development Bank of Japan, which is 100%-owned by the government. The other main creditors are Mizuho Corporate Bank, the wholesale banking arm of **Mizuho Financial Group Inc.**; Bank of Tokyo-Mitsubishi UFJ, the core banking unit of Mitsubishi UFJ Financial Group Inc.; and Sumitomo Mitsui Banking Corp., a unit of **Sumitomo Mitsui Financial Group Inc.**

Spokespeople at Mizuho Corporate Bank, Bank of Tokyo-Mitsubishi and Sumitomo Mitsui declined to comment on the case. The Development Bank of Japan wasn't immediately available to comment.

JAL already has said it would cut about one-third of its work force, or 16,000 jobs, and it is slashing 15 unprofitable overseas routes and 30 domestic routes.

The airline was delisted from the Tokyo Stock Exchange in February, and the last earnings report it disclosed was for the October-December quarter, showing a loss of 46.7 billion yen.

JAL President Masaru Onishi has vowed the company will generate an operating profit in this fiscal year, ending March 2011, a year ahead of schedule, despite its hefty write-downs.

Hideo Seto, committee chairman of ETIC, said Wednesday that JAL and ETIC aim to conclude talks with banks by the first half of August. The airline will then submit its government-backed

restructuring plan to the Tokyo District Court by the end of August.

Kazuo Inamori, the chairman of JAL who was coaxed out of retirement to run the airline, said his company will ask banks for fresh loans as well as debt waivers. JAL declined to comment on how much the additional aid might total.

"It is necessary to show that we are profitable every month so that we can prove that it shouldn't be a problem lending to us," Mr. Inamori said.

The chairman, who is a famed management guru in Japan and an ordained Buddhist monk, said he recently started offering training sessions to JAL's executives and managers on how to review monthly earnings to check on whether the company's profit performance is moving in the right direction.

"Before I arrived, JAL was not the kind of company to look at numbers like profit or loss, or how much money they are making or how much money they are spending in running their business," Mr. Inamori said in an interview with The Wall Street Journal in April.

"So right now I am in the middle of a huge transformation of the organization to make it so that they can see how much they're making and how much they're spending on a daily basis, a weekly basis and a monthly basis," he said.

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